

ORIGINAL EXCEPTION

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BEFORE THE ARIZONA CORPORATION COMMISSION

2005 JAN -9 P 4: 54

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AZ CORP COMMISSION

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JEFF HATCH-MILLER, Chairman

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IN THE MATTER OF THE APPLICATION
OF WOODRUFF WATER COMPANY, INC.,
FOR A CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE WATER
SERVICE IN PINAL COUNTY, ARIZONA

DOCKET NO. W-04264A-04-0438

IN THE MATTER OF THE APPLICATION
OF WOODRUFF UTILITY COMPANY, INC.,
FOR A CERTIFICATE OF CONVENIENCE
AND NECESSITY TO PROVIDE SEWER
SERVICE IN PINAL COUNTY, ARIZONA

DOCKET NO. SW-04265A-04-0439

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, TO EXTEND
ITS EXISTING CERTIFICATES OF
CONVENIENCE AND NECESSITY AT
CASA GRANDE AND COOLIDGE, PINAL
COUNTY, ARIZONA.

DOCKET NO. W-01445A-04-0755

**EXCEPTIONS OF WOODRUFF
WATER COMPANY**

Woodruff Water Company ("Woodruff Water"), by and through its counsel undersigned, and pursuant to Arizona Administrative Code R14-3-110(B) and the December 19, 2005, Procedural Order in this docket, submits its exceptions to the Recommended Opinion and Order ("ROO") issued December 13, 2005, by Administrative Law Judge Stern.

I. SUMMARY OF EXCEPTIONS

In this case, the Arizona Corporation Commission must decide which of two well qualified applicants—Woodruff Water or Arizona Water Company ("AWC")—will receive the certificate of convenience and necessity to provide water service to the new

1 3,200-acre master planned Sandia community in Coolidge, Arizona.¹ However, the
2 policy impact of this decision will reach far beyond Sandia to the four corners of the
3 State. Woodruff Utility Company ("Woodruff Sewer") is the only applicant seeking to
4 provide sewer service to Sandia, and Judge Stern has recommended that Woodruff Sewer
5 be certificated to provide sewer service.² Woodruff Water and Woodruff Sewer share the
6 same ownership and management, and the two companies will be operated as an
7 integrated unit providing mutual support to one another. Approval of the application of
8 Woodruff Water would ensure that the residents of Sandia receive all of the benefits of an
9 integrated water and sewer provider.

10 Utilities Division Staff unequivocally supports granting CC&Ns to both Woodruff
11 Water and Woodruff Sewer, noting the important advantages of integrated utilities in the
12 Staff Report:

- 13 • Staff supports regional planning for water and wastewater to ensure
14 an economy of scale for both services.
- 15 • Staff recognizes integrated utilities provide enhanced services to
16 work in conjunction with public policy goals of clean water, use of
17 reclaimed water for turf facilities and recharge of the aquifer.
- 18 • Economy of affiliated water and sewer utilities. Sharing of
19 maintenance, personnel and administrative tasks.
- 20 • Water use data is readily available to the sewer utility if the sewer
21 company changes its rate structure from a flat rate to a rate structure
22 based on usage.
- 23 • Woodruff has already invested resources in engineering, design, and
24 hydrological investigation.
- 25 • Ultimate size of the [Sandia] development is large enough for
26 economic viability as a "stand-alone" system.

¹ Judge Stern notes in Finding of Fact 129 of the ROO that "following a thorough review of the record, we believe that the competing applications of [Woodruff Water] and AWC have relatively equal merit."

² The City of Coolidge supports Woodruff Sewer's application to provide sewer service to Sandia, and AWC is not contesting the application. Staff Closing Brief at 2, lines 8-14.

1 Staff's support is obviously significant in evaluating competing applications, and
2 its recommendation should be given great weight by the Commission. Assistant Director
3 Steve Olea testified as the final witness in the case, stating as follows:

4 *[B]ased on all the facts that we had at the time we made the*
5 *recommendation and the facts we have today, the plans are that this is going*
6 *to be a large water company, it's going to be a large wastewater company*
7 *and they would work better together. That's how Staff came up with this*
8 *recommendation and that's how the scales tilted slightly in favor of*
9 *Woodruff. Trans. Vol. VII at 1367, lines 14-20.*

10 Mr. Olea's testimony came on the seventh day of hearings, after six Woodruff
11 Water witnesses and three AWC witnesses. Mr. Olea testified that Staff had "*many*
12 *meetings on this case,*" and in addition, Staff propounded multiple sets of data requests to
13 both parties. Trans. Vol. VII at 1367, lines 4-5. Certainly, Staff did not recommend
14 Woodruff Water without careful consideration of the Commission's policies and prior
15 decisions, as well as a thorough vetting of the material factors. And, while the decision
16 may have been close, it was not too close for Mr. Olea to make:

17 *In rare, rare occasions it's so close that Staff will not make a choice either*
18 *way. Staff felt that in this case that the scale was tilted enough in favor of*
19 *Woodruff that Staff would recommend that Woodruff Water get the area that*
20 *it was asking for. Trans. Vol. VII at 1365, line 22, to 1366, line 2.*

21 Surprisingly, Judge Stern has rejected Staff's recommendation and proposed
22 granting the water CC&N to AWC. Respectfully, the brief analysis of the competing
23 applications set forth in Finding of Fact 129 of the ROO falls well short of making the
24 case for deviating from Staff's reasoned recommendation—and rejecting the important
25 public policy of supporting integrated water and sewer utilities. The reasoning of Staff
26 and Mr. Olea in supporting Woodruff Water is sound, and this Commission should
follow a policy of approving the applications of integrated water and sewer providers
where the integrated providers have the requisite financial, managerial and technical
capabilities to perform. There is no dispute in this docket that Woodruff Water has the

1 financial, managerial and technical capabilities to competently serve Sandia.
2 Accordingly, Woodruff Water respectfully urges the Commission to reject Judge Stern's
3 recommendation in the ROO that AWC receive the water CC&N and order that the water
4 CC&N be granted to Woodruff Water. In the event the Commission agrees with Staff
5 and Woodruff Water, counsel undersigned has attached hereto as Attachment "A" for the
6 Commission's convenience a form of amendment which makes the necessary changes to
7 the ROO.

8 **II. GRANTING THE WATER CC&N TO WOODRUFF WATER BEST**
9 **SERVES THE PUBLIC INTEREST**

10 The standard in granting a CC&N is whether or not the grant is in the public
11 interest. *James P. Paul Water Co. v. Ariz. Corp. Comm'n.*, 137 Ariz. 426, 671 P.2d 404
12 (1983). Staff found that Woodruff Water and AWC each possess the requisite financial,
13 managerial and technical capabilities to receive a CC&N.³ As Staff correctly explains in
14 its Closing Brief, the question before the Commission is which provider would best serve
15 the public interest. For the reasons set forth below, Woodruff Water respectfully submits
16 that a qualified integrated water and sewer utility provides superior benefits to the public,
17 and should be preferred over the creation of stand-alone water and sewer providers.

18 **A. Avoiding the Risks of Stand-Alone Sewer Providers.**

19 When it comes to understanding the risks of stand-alone sewer providers, Staff
20 speaks from experience. In recommending Woodruff Water, Mr. Olea recognized the
21 benefits of integrated utilities, explaining at the hearing as follows:

22 *And with the experience that Staff and this Commission has had with stand-*
23 *alone wastewater companies, if there is a chance that we could find a*
24 *viable wastewater and water company to be basically one entity, then that's*
25 *what Staff is going to recommend. Trans. Vol. VII at 1366, lines 8-12.*

26 Mr. Olea made clear that his statement was not a negative reflection on the

³ Staff stated in this proceeding that "[t]here is no dispute that both AWC and Woodruff possess the minimum financial, managerial, and technical capabilities to be awarded a CC&N." Staff Closing Brief at 1, lines 3-5.

1 capability of Woodruff Sewer to provide good service, but rather a recognition that
2 integrated water and sewer utilities have a greater probability of success than separate
3 utilities providing the same services:

4 *It's not Woodruff or it's not Arizona Water. It's any time you start a new*
5 *company you want to do whatever you can to give it as much advantage as*
6 *you can to be viable. And it's--Staff's opinion was that it would be more of*
7 *a chance for it to be viable if they were combined, not that the only way it*
8 *would be viable is if they were combined. Trans. Vol. VII at 1375, lines 10-*
9 *15.*

10 If the Commission certifies AWC to provide water service to Sandia, it will
11 create a stand-alone sewer utility. Certainly, this does not mean that Woodruff Sewer is
12 going to fail, but the company's opportunity for success as a stand-alone is diminished.
13 This Commission has devoted significant time in recent years sorting through the virtually
14 unsolvable problems caused by failing stand-alone sewer providers.⁴ Staff was very clear
15 in opposing on public interest grounds the creation of another stand-alone sewer provider:

16 *Stand-alone sewer companies have had numerous problems in recent years.*
17 *The public interest is not served by creating another such company when*
18 *there is an opportunity to instead create a more viable integrated water and*
19 *sewer operation. Staff Closing Brief at 1, lines 22-26.*

20 As stated succinctly by Staff, "[i]f Woodruff Water and Woodruff Sewer both
21 serve Sandia, they will be able to mutually support each other, increasing the viability of
22 both companies." Id at 1, lines 15-16. The public interest requires that the Commission
23 certificate the integrated providers.

24 ⁴ In its Closing Brief, Staff explained that stand-alone sewer companies pose many problems:

25 *The problem of terminating service, described above, is one example. Stand-alone sewer*
26 *companies have sometimes encountered serious financial and management problems. Some of*
these companies have even failed. The cases of Casitas Bonitas and AUSS are notorious
examples. (Tr. at 1340-41). Disaster was averted in those cases only by concerted effort by the
Commission and other public agencies." Staff Closing Brief at 5, lines 4-9.

1 **B. Other Advantages of Integrated Water and Sewer Providers.**

2 There are a number of other advantages of integrated water and sewer utilities.
3 These advantages include better management and utilization of effluent resources,
4 economies of scale through sharing company resources, the ability of the sewer company
5 to effectively terminate service for non-payment, and the combined financial strength of
6 the two utilities. Staff refers to these advantages as the "*benefits of mutual support*" that
7 Woodruff Water and Woodruff Sewer can provide to one another. Staff Closing Brief at
8 2, lines 17-19.

9 **1. Better Management and Utilization of Effluent Resources.**

10 Integrated water and sewer utilities are better able to manage effluent to ensure
11 maximum reuse. This means that integrated providers promote the "*policy goals of clean*
12 *water, use of reclaimed water for turf facilities and recharge of the aquifer.*" Staff
13 Closing Brief at 4, lines 19-21. Mr. Olea explained further:

14 *Unified water and wastewater utilities should be better suited to comply*
15 *with groundwater management requirements by sharing customer*
16 *information between divisions, recognizing groundwater credits for*
17 *irrigation well retirement and ensuring reuse permits obtain maximum*
18 *value. Staff Closing Brief at 4, lines 21-25 (emphasis added).*

19 Woodruff Water and Woodruff Sewer will coordinate the sale of effluent to turf
20 customers and other customers with non-potable demand. Maximizing the use of effluent
21 allows for a reduction in the withdrawal of groundwater from within the service area.

22 In stark contrast, Woodruff Sewer believes that AWC would actually work to
23 thwart the reuse of effluent within Sandia. While AWC stated in this docket that it will
24 cooperate with Woodruff Sewer, its recent history proves otherwise.⁵ AWC has a
25 troubling pattern of suing municipalities which attempt to deliver effluent within the

26

⁵ Staff obviously agrees with Woodruff Sewer's assessment, stating that "*AWC will likely continue its unfortunate practice of attempting to obstruct other entities from selling effluent in its water certificate area.*" Staff Closing Brief at 5, lines 1-2.

1 company's certificated territory. In 1989, AWC filed a lawsuit against the City of Bisbee
2 arguing that Bisbee did not have the right to deliver effluent to Phelps Dodge for use in its
3 leaching operations. *Arizona Water Company v. City of Bisbee*, 172 Ariz. 176, 836 P.2d
4 389 (Ct. App. 1991), *rev. den.* (Sep. 22, 1992). Fortunately, AWC lost that case. More
5 recently, AWC filed a lawsuit against the City of Casa Grande seeking to stop Casa
6 Grande from delivering effluent to a new power plant in AWC's Casa Grande service
7 territory. *Arizona Water Company v. City of Casa Grande*, CV2000-022448 (Maricopa
8 County Superior Court, Judge Albrecht). The superior court denied AWC's requested
9 relief, and the decision was affirmed on appeal in an unreported memorandum decision.
10 The public interest is best served by integrated water and sewer utilities which are
11 committed to the important public policy of maximizing the efficient reuse of effluent.

12 2. Economies of Scale Through Sharing Company Resources.

13 Integration of water and sewer services allows the providers to share resources and
14 divide costs associated with employees, equipment, office space, and overhead. AWC
15 may argue that it can provide greater economies of scale for water service due to its
16 larger size,⁶ but the Commission should evaluate economies of scale in providing both
17 water and sewer service. On this point, Mr. Olea testified that "*Staff supports regional*
18 *planning for water and wastewater to ensure an economy of scale for both services."*
19 Staff Closing Brief at 3, lines 1-3 (emphasis added). Granting the water CC&N to AWC
20 and the sewer CC&N to Woodruff Sewer will not provide an economy of scale for both
21 services; certificating Woodruff Water will.

22
23
24
25 ⁶ Judge Stern notes in Finding of Fact 129 of the ROO that AWC is a Class A water utility. Presumably, he included
26 this fact because he believes it is a relevant distinguishing factor between AWC and Woodruff Water. However,
Woodruff Water will also grow to a Class A water utility as Sandia builds out.

1 3. Woodruff Sewer Can Best Avoid Customer Account
2 Delinquencies if Woodruff Water is the Water Provider.

3 Stand-alone sewer companies have no easy way to terminate service to a customer
4 who refuses to pay a bill or comply with other terms and conditions of service. In fact,
5 the only economically feasible way to terminate sewer service is to terminate water
6 service. However, the Commission's rules prohibit a water company from terminating
7 service for "nonpayment of a bill related to another class of service." A.A.C. R14-2-
8 410(A). Thus, stand-alone sewer utilities often have no effective way to terminate
9 service to a delinquent customer, which makes collecting overdue amounts difficult if not
10 impossible. Collection problems substantially reduce the financial viability of stand-
11 alone sewer companies. Staff correctly concludes in its Closing Brief that "[t]he
12 Commission can avoid these problems by granting Woodruff [Water] the water CC&N
13 for Sandia," a factor which strongly weighs in favor of Woodruff Water. Staff Closing
14 Brief at 4, lines 14-16.

15 4. Combined Financial Strength of the Woodruff Companies.

16 Integrating water and sewer service results in a stronger provider for both services.
17 Staff correctly observed in its Closing Brief that water companies are typically stronger
18 financially than sewer companies:

19 *It is well known that it is easier to make money running a water*
20 *company than a sewer company. No doubt this is why AWC refuses to*
21 *enter the sewer business. The public interest is not served by such*
22 *cherry picking. Instead, the public interest is served by the enhanced*
 financial viability provided by integrated providers of water and sewer
 service. Staff Closing Brief at 3, lines 10-12.

23 Woodruff Water and Woodruff Sewer will rely on one another's financial resources, as
24 well as the financial resources of their parent, Pivotal Sandia, LLC. As noted by Judge
25 Stern in Finding of Fact 13 of the ROO, "Pivotal has approximately \$300 million
26 available to make capital infusions into [Woodruff Water and Woodruff Sewer] and to

1 *purchase equity positions over time as required for the expansion of the companies."*

2 Clearly, there is substantial financial strength in the integrated Woodruff utilities.

3 **III. ADDITIONAL COMMENTS REGARDING THE ROO**

4 AWC's principal argument in the hearing was that the Staff-recommended "initial"
5 Woodruff Water rates are higher than the current rates of AWC, an argument which may
6 have held some sway with Judge Stern. While the initial Staff-recommended Woodruff
7 Water rates are higher than AWC's current Coolidge rates, there is simply no way of
8 knowing what either company's rates will be in 20 years when Sandia reaches full build-
9 out.⁷ See, Trans. Vol. VII at 1426, lines 17-20. What we can assume, however, is that
10 either Woodruff Water or AWC would likely have a number of rate cases over the next 20
11 years. *Id.* at lines 6-16. Comparing the initial rates of Woodruff Water to the current
12 AWC Coolidge rates—long before a *single* home has been built at Sandia—misses the
13 mark. AWC's rates are relatively low in Coolidge not because of any inherent efficiency
14 or technical advantage, but because they are based on the historic cost of an old system
15 which has seen little growth over the last 20 years. Nobody disputes that AWC's
16 Coolidge rates will rise in coming years. AWC's Coolidge rates do not include expenses
17 for arsenic removal in Coolidge or Casa Grande—those costs will be addressed in the next
18 rate case, which will be filed with a 2006 test year. Furthermore, AWC's Coolidge rates
19 do not address the impact of the consolidation of AWC's Casa Grande and Coolidge
20 divisions, or the costs of constructing a treatment plant to treat Central Arizona Project
21 water. Each of these factors will impact AWC's Coolidge rates long before the majority
22 of new residents move into Sandia.

23
24 ⁷ At the hearing, Mr. Olea noted the uncertainty in trying to predict rates 20 years in the future:

25 By Mr. Sabo: *So sitting here today, can we have any certainty about what the rates will be 20 years*
from now at build-out?

26 By Mr. Olea: *No.* Trans. Vol. VII at 1426, lines 17-20.

1 By comparison, the initial Staff-recommended Woodruff Water rates already
2 include the costs of arsenic removal, as a result of Woodruff Water's more conservative
3 assumption that treatment will be necessary. It should also be noted that the Staff-
4 recommended Woodruff Water rates are within the range of rates charged by utilities in
5 Arizona and are reasonable. Given that Woodruff Water and AWC must construct
6 substantially the same infrastructure (*i.e.*, wells, storage capacity, transmission and
7 distribution) to serve Sandia, and given that the AWC rates do not include any costs of
8 arsenic removal, any impact resulting from the consolidation of the Casa Grande and
9 Coolidge divisions, or any costs of the construction of the CAP treatment plant, there is
10 simply no basis to assert that AWC's rates will remain lower than Woodruff Water's rates
11 as Sandia develops. Thus, the current rate differential is no basis for awarding the CC&N
12 to AWC.

13 Woodruff Water demonstrated at the hearing through its expert hydrologist that
14 ample water resources exist within Sandia to serve the needs of all residents. Woodruff
15 Water's Exhibit 31, Table 1 (*Analytical Results for Composite Ground-Water Samples*
16 *Collected at Sundance Farms*), established that just three of the existing wells within
17 Sandia (Well Nos. 1065, 1100 and 1110) produce a total 5,453 gallons per minute without
18 total dissolved solids (or "TDS") or nitrate problems. AWC proposed that it would
19 provide 4,500 gallons per minute to serve Sandia at build-out (six wells producing 750
20 gallons per minute). Trans. Vol. V at 924, lines 14-16. Thus, the water resources within
21 Sandia are more than adequate to serve the entire development, and there is no need to
22 seek water outside the development.

23 **IV. CORRECTION OF LEGAL DESCRIPTION FOR SANDIA—ATTACHED**
24 **AS EXHIBIT "A" TO THE ROO**

25 The territory originally requested by Woodruff Water was attached as Attachment
26 B-1 to Woodruff Water's application filed June 10, 2004, and totaled 3,177.858 acres.

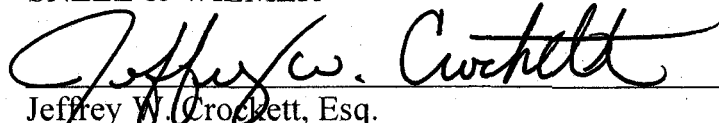
1 On August 30, 2004, Woodruff Water filed a letter in the docket supplementing the
2 territory described in Attachment B-1 to include an additional 36.7279 acres. A copy of
3 the parcel description for this additional 36.7279 acres was attached to the August 30,
4 2004, letter and is attached hereto as Attachment "B." This additional acreage is shown
5 on the map of the requested certificated area on page 2 of the Staff Report dated March 3,
6 2005. Therefore, the total acreage for Sandia (including the 36.7279 additional acres
7 filed with the supplement) is 3,214.5859 acres. Woodruff Water requests that Exhibit A
8 to the ROO be amended to include the additional 36.7279 acres described on Attachment
9 "B."

10 **V. CONCLUSION**

11 For the reasons set forth above, Woodruff Water respectfully requests that the
12 Commission reject Judge Stern's recommendation that the water CC&N for Sandia be
13 granted to AWC, and approve the application of Woodruff Water. Based upon the entire
14 record in this case, including the recommendations of Staff and Assistant Director Olea,
15 Woodruff Water best meets the public interest standard and should receive the CC&N.
16 In the event the Commission decides to grant the water CC&N to Woodruff Water,
17 counsel undersigned has attached hereto as Attachment "A" a form of amendment for the
18 Commission's convenience which makes the necessary changes to the ROO. Woodruff
19 Water also requests that the Commission amend Exhibit A to the ROO to include the
20 additional territory set forth on Attachment "B."

21 RESPECTFULLY SUBMITTED this 9th day of January, 2006.

22 SNELL & WILMER

23 
24 Jeffrey W. Crockett, Esq.

25 One Arizona Center
26 400 East Van Buren
Phoenix, Arizona 85004-2202

1 and

2 Marvin S. Cohen, Esq.
3 SACKS TIERNEY, P.A.
4 4250 North Drinkwater Blvd., Fourth Floor
5 Scottsdale, Arizona 85251-3693

6 Attorneys for Woodruff Water Company, Inc., and
7 Woodruff Utility Company, Inc.

8 ORIGINAL and seventeen (17) copies filed
9 with Docket Control this 9th day of January, 2006.

10 A COPY of the foregoing was hand-delivered
11 this 9th day of January, 2006, to:

12 Marc Stern, Administrative Law Judge
13 Hearing Division
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington
16 Phoenix, Arizona 85007

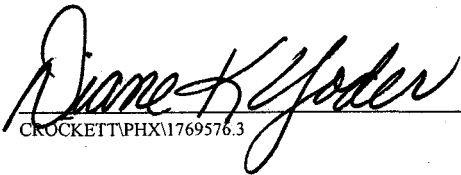
17 Diane Targovnik, Staff Attorney
18 Legal Division
19 ARIZONA CORPORATION COMMISSION
20 1200 West Washington
21 Phoenix, Arizona 85007

22 Ernest Johnson, Director
23 Utilities Division
24 ARIZONA CORPORATION COMMISSION
25 1200 West Washington
26 Phoenix, Arizona 85007

1 A COPY of the foregoing mailed
2 this 9th day of January, 2006, to:

3 Robert W. Geake
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5 ARIZONA WATER COMPANY
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ATTACHMENT A

THIS AMENDMENT:		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

PROPOSED AMENDMENT # _____

TIME/DATE PREPARED _____

COMPANY: Woodruff Water Company; Woodruff Utility Company; Arizona Water Company

DOCKET NO: W-04264A-04-0438
 SW-04265A-04-0439
 W-01445A-04-0755

OPEN MEETING DATE: January 24, 2006
 AGENDA ITEM: U-

DELETE pg. 10 line 28 the word "quality" and INSERT the word "quantity"

DELETE pg. 28 lines 19-28 and pg. 29 lines 1-11 (Findings of Fact 129 and 130) and INSERT the following new Finding of Fact 129:

129. Under the circumstances herein, following a thorough review of the record, we believe that the competing applications of WWC and AWC have relatively equal merit. AWC has a proven record of success as a utility and has existing off-site facilities available for possible interconnection. The arguments made by AWC have some merit. However, we adopt Staff's recommendation that places more weight on the integrated approach of WWC and WUC. The integrated approach will achieve an economy of affiliated water and sewer utilities that will be able to share administrative, personnel and maintenance tasks. WWC has already invested resources in design, engineering and hydrological investigation. Additionally, water use data is readily available to the sewer company if the sewer company changes its rate structure from a flat rate to a usage based rate. We adopt Staff's analysis that the ultimate size of the Sandia development is large enough for one system to be economically viable. Therefore, it is the public policy interest to approve the CC&N for WWC.

DELETE pg. 29 line 25 the word "AWC" and insert the word "WWC"

DELETE pg. 30 line 3 the word "AWC" and insert the word "WWC"

INSERT pg. 30 line 6 after "operations," the phrase "WWC and"

DELETE pg. 30 line 6 the phrase "a public service corporation" and INSERT the phrase "public service corporations"

DELETE pg. 30 line 14 the phrase "extensions of AWC's" and INSERT the phrase "an extension of AWC's"

DELETE pg. 30 line 16 the phrase "Exhibits A and C" and INSERT the phrase "Exhibit C"

DELETE pg. 30 line 18 the phrase "authorizing it to provide" and INSERT "and WWC authorizing them to provide water and"

DELETE pg. 30 line 20 the phrase "Exhibits A and C" and INSERT "Exhibit C"

DELETE Conclusion of Law 9 and INSERT the following new Conclusion of Law 9:

"WWC is a fit and proper entity to provide water service to the public and to receive a Certificate which encompasses the area more fully described in Exhibit A."

DELETE pg. 31 line 3 the phrase "Sandia and to"

DELETE pg. 31 line 4 the phrase "Findings of Fact Nos. 126 and 127" and INSERT "Finding of Fact No. 126"

INSERT the following new Conclusion of Law 14:

"WWC's application for a Certificate to provide public water service to Sandia should be approved subject to Staff's recommendations and WWC's compliance with the conditions set forth in Finding of Fact 122 or the Certificate authorized hereinafter should be null and void."

DELETE pg. 31 line 14 the word "denied" and INSERT the word "approved"

INSERT pg. 31 line 15 after the phrase "IT IS FURTHER ORDERED that" the phrase "Woodruff Water Company, Inc. and"

INSERT pg. 32 line 1 the following new Ordering Paragraphs:

"IT IS FURTHER ORDERED that Woodruff Water Company, Inc. shall comply in all respects with Finding of Fact 122 and Conclusion of Law 14 above.

IT IS FURTHER ORDERED that the Certificate of Convenience and Necessity granted to Woodruff Water Company, Inc. for the areas described in Exhibit A shall be deemed null and void if Woodruff Water Company, Inc. does not timely comply with condition numbers three, four, six, seven, and eight as set forth in Finding of Fact 122 above.

IT IS FURTHER ORDERED that Woodruff Water Company, Inc. shall annually file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona."

DELETE pg. 32 line 10 the phrase "Exhibits A and C" and INSERT the phrase "Exhibit C"

DELETE the Ordering Paragraph that begins on pg. 32 line 11 and continues to line 13

DELETE pg. 32 line 18 the phrase "Findings of Fact Nos. 126 and 127" and INSERT "Finding of Fact No. 126"

DELETE pg. 32 line 21 the phrase "Findings of Fact Nos. 126 and 127 for the respective areas described in Exhibits A and C, then the respective extension" and INSERT "Finding of Fact No. 126 for the area described in Exhibit C, then the extension"

DELETE the Ordering paragraph that begins on pg. 32 line 24 and continues to line 26

ATTACHMENT B

Revised June 29, 2004

June 21, 2004

WP #042127.02.R1M

Page 1 of 2

See Exhibit "A"

PARCEL DESCRIPTION

Attachment B-1 Parcel 2

Woodruff Water Company & Woodruff Utility Company

A parcel of land lying within Section 25, Township 5 South, Range 7 East, of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the northeast corner of said Section 25, a 1/2" iron rod in handhole, from which the north quarter corner of said section, a G.L.O. brass cap, bears North 89°37'03" West (basis of bearing), a distance of 5166.18 feet, said point being the **POINT OF BEGINNING**;

THENCE along the east line of said Section 25, South 00°14'41" East, a distance of 2644.19 feet;

THENCE leaving said east line, North 89°38'34" West, a distance of 609.06 feet;

THENCE North 00°04'16" West, a distance of 2644.39 feet, to said north line;

THENCE along said north line, South 89°37'03" East, a distance of 601.05 feet, to the **POINT OF BEGINNING**.

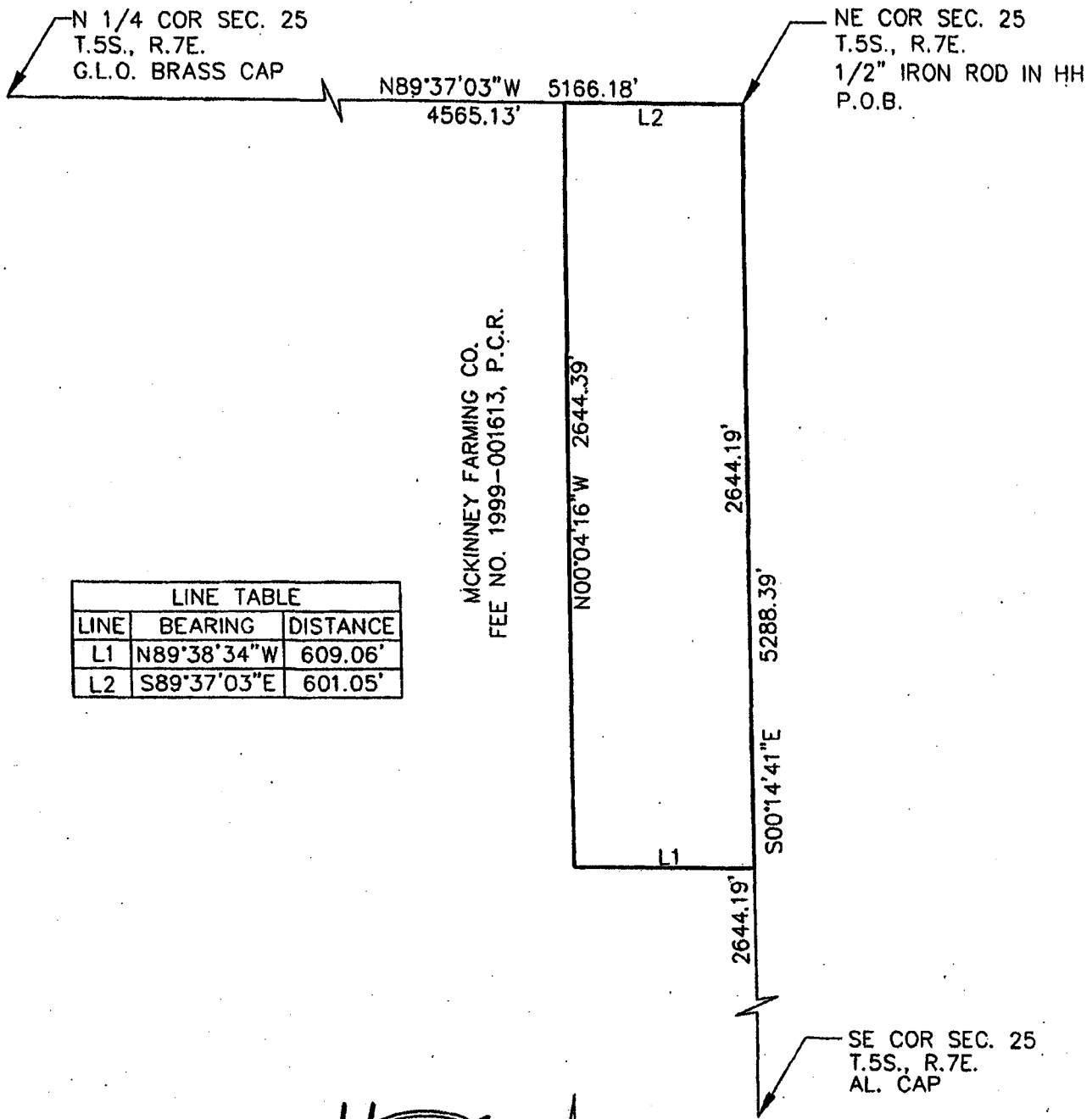
Containing 36.7279 acres, or 1,599,866 square feet of land, more or less.

Subject to existing rights-of-way and easements.

This parcel description was prepared without the benefit of survey field work and is based on the unrecorded ALTA/ACSM Land Title Survey prepared by WRG Design, Inc., dated January 3, 2004, job number 4033774.00 and other client provided information. Any monumentation noted in this parcel description is based on said ALTA Survey.

Y:\Parcel Descriptions\042127.02.R1M Sandia Proposed Outparcel 2.doc





LINE TABLE		
LINE	BEARING	DISTANCE
L1	N89°38'34\"W	609.06'
L2	S89°37'03\"E	601.05'

MCKINNEY FARMING CO.
FEE NO. 1999-001613, P.C.R.



EXHIBIT "A"

Attachment B-1 Parcel 2
Woodruff Water Company & Woodruff Utility Company

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NOT TO SCALE

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